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STUDYING ECONOMIC IDEAS AND AUTHORITY IN NON-HEGEMONIC TIMES

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ABSTRACT

With Brexit, the election of Trump and the rise of anti-establishment parties to the left and right, the neoliberal ideas of the global political elite have lost much of their legitimacy. While the hegemony of neoliberalism is severely challenged, no clear alternative has yet emerged. This paper investigates the current state of economic theory and governance through the concept of interregnum. While IPE theory has a set of different theories about periods of hegemony and paradigmatic stability, the periods between stable hegemonies are distinctly undertheorized. This is especially problematic as economic history shows that these periods of interregnum can span decades. The paper will argue that the notion of interregnum is distinct from the concept of crisis, and the paper develops a theoretical concept that describes periods of interregnum through four key criteria: 1) Absence of a stable elite consensus, 2) Institutional continuity, but decreased effectiveness of key institutions, 3) Realignment of social and class forces, and 4) Presence of competing economic strategies within the elite. The concept of interregnum is employed to analyse the changes in economic ideology that followed the breakdown of the post-war Keynesian consensus in the 1970's as well as the current aftermath of the 2008 crisis.

1: INTRODUCTION: EVALUATING THE 2008 CRISIS

In 2017, the western world is in a situation of political turmoil and instability unknown for decades. Anti-establishment movements have overturned the political status quo with diverse results such as Brexit, the Syriza Government and the Trump presidency. All of this seems, at least partly, to be grounded in economic discontent, connected to stagnating growth rates and rising unemployment. The discontent has accelerated since the advent of the 2008 financial crisis, both as a consequence of

the increase in real economic grievances, and loss of faith in the legitimacy and ability of the main tenets of the global capitalist economy. At the same time there is no clear sign of any new order emerging out of the chaos and turbulence.

This double situation is mirrored in the approach to the crisis in the debates within International Political Economy (IPE). In the years immediately following the 2008 financial crisis, there was a widespread anticipation that this would mean the end of the ideational hegemony of economic liberalism that had characterised the period since the 1980s. The first wave of scholarship on the crisis tended to emphasise this expectation. As the material and ideological foundations of neoliberalism were shattered, we were witnessing the beginning of the end of neoliberal hegemony (see (N. Brenner, Peck, & Theodore, 2010; G. Dumenil & Levy, 2011; Kotz, 2009; Krugman, 2009; J. Peck, Theodore, & Brenner, 2010; Stiglitz, 2008). The idea of the collapse of neoliberalism was based on the apparent contradiction of the doctrines by the massive government interventions with bank packages and the creation of state credit and guarantees. A trend further strengthened by the apparent return to Keynesian countercyclical policies in many countries in the years immediately following the crisis (Eatwell & Milgate, 2011). This short “Keynesian window” of 2008-9 quickly closed however. As it became clear that the largesse shown in the bailout packages to the banks would not be shown to the unemployed, a new dominant narrative emerged: the persistence of neoliberalism, despite the crisis. The main theme of the literature now shifted to explain the persistence, or non-death of neoliberal ideology and policies (Cahill, 2014; Crouch, 2011; Mirowski, 2013; Aalbers, 2013). Especially in EU, the crisis was actually used to intensify the neoliberal assault on the public sector, through a turn to a hard programme of austerity (Blyth, 2013; Schäfer & Streeck, 2013).

1.A: PREMATURE CONCLUSIONS

On the surface, this view of the 2008 crisis as a missed opportunity or a failed paradigm shift seems more convincing than the first wave of literature on the crisis. But, just as it proved premature to expect the imminent demise of neoliberalism after the crisis, it might prove premature to proclaim its non-death already. On the contrary, since 2011, we have seen a wave of anti-establishment discontent from the left and right. The rise of left and right anti-establishment figures, from Donald Trump and Marine Le Pen to Pablo Iglesias and Bernie Sanders means a significant weakening of the political establishment throughout the developed world.

At the same time, the global economic elite seems to harbour growing doubts on the economic orthodoxies of neoliberalism. The annual summit in the World Economic Forum in Davos has started

discussing inequality and political instability, and even traditional bastions of orthodox economic ideas such as the IMF and the OECD are warning against inequality and advocating greater public spending. Neoliberalism might not have lost its position in the day-to-day formulation of policy, but the days of undisputed common-sense seem to have gone.

It seems that there is a tacit assumption in many analyses of the aftermath of the crisis is that we have seen a resolution one way or the other: either a return to the social democratic Keynesianism or resilient neoliberalism (Vivien A. Schmidt & Mark Thatcher, 2013).

But maybe such judgements are premature. While changes in modes of regulation have often been the outcomes of economic crises, historically this has rarely been a fast process. The post-war regime of Keynesian macroeconomic consensus and class compromise was undoubtedly born out of the experiences of the economic turmoil of the interwar years, but it took more than a decade and a world war before a new economic architecture emerged in the form of the Bretton Woods system. In parallel, while the economic turmoil of the 1970s started out in earnest with the practical breakup of Bretton Woods in 1971, it was not until the late 1970s that neoliberalism emerged as the dominant response to the breakdown of the post-war system, and it was not until well into the 1980s that competing strategies from the left were thoroughly defeated. Maybe, thus, we should evaluate the period since the financial crisis of 2008 as an interregnum. An interregnum may be defined as a period of uncertainty, where there is deep confusion and disagreement among the dominant elite, and where former ideologies, while still having institutional power, are losing traction, leading to disagreement and disorientation. In such a fluctuating landscape, governments still have to react. The orthodoxies of former times are still dominant in the bureaucracies and apparatuses of the state, but at the same time, the traditional institutions are no longer as effective as they once were, and several alternative strategies and strands of critique compete with each other for the dominant solution to the political confusion. Such a situation of interregnum might mean confusion and instability. But this does not necessarily mean that the political instability is necessarily heralding the end of capitalism as Wolfgang Streeck or Paul Mason have recently claimed (Mason, 2015; Streeck, 2016). Looking at the economic history of the 20th century, it appears that periods of interregnum and instability are as normal for capitalist economies as periods of stable hegemony.

This paper investigates the concept of interregnum through a look at the role of crisis in critical IPE literature and the problems in the widely-used metaphor of 'punctuated equilibrium' in section 2. Section 3 outlines a heuristic model of interregnum, and section 4 will use this model empirically to describe the political-economic trajectories of the cases of UK and Denmark in the 1970s. The last

section reflects on the implications of the concepts and discusses the extent to which it makes sense to see the post-2008 world through the lens of the Interregnum.

2: UNDERSTANDING CRISIS AND IDEAS

The concept of crisis has always been central in the literature on structural change in the political economy – something that seems to span across all schools of thought that deal with historical changes.

The idea of crises as turning points, whatever the concrete theoretical formulations, is generally associated with a model of punctuated equilibria, a model borrowed from palaeontology (Gould, 1972). The central idea behind this metaphor is that history does not move forward at a steady pace, but rather in plateaus of stability, punctuated by short periods of fast change, where the conditions are created for a new equilibrium to emerge. A similar model can be seen in Thomas Kuhn's work on scientific paradigms, where periods of stable paradigms allow normal science to go on, punctuated by sudden periods of scientific revolutions (Kuhn, 1996 [1962]).

This model can be found in several theoretical traditions of political economy: In the Marxist and regulationist tradition, points, or crises, stand as central pillars in the transition from one mode of regulation or form of capitalism to another (Aglietta, 1998, 2000; Boyer, 1990; R. Brenner, 2003; Bruff & Horn, 2012; Glyn, 2007; Harvey, 2010). In the intuitionist tradition, especially historical intuitionism, there has been a decade long theoretical debate, which in many ways was started by Peter Hall's seminal paper on policy paradigms (Peter A. Hall, 1993), between the role of crisis-driven sudden change and forms of incremental change (see (Blyth, 2001; Boas, 2007; Campbell, 2010; Henriksen, 2013; Mahoney & Thelen, 2010; Pierson, 2000a, 2000b; Thelen, 2010; Widmaier, 2007)).

Most of the literature within the Marxist as well as institutionalist traditions has focused on this transition in a national context. There are, however, also attempts at applying the idea at an international level, be it international institutions such as the EU or IMF; or more overarching concepts such as world orders (Chwieroth, 2009; Robert W Cox, 1987; Vivien A Schmidt, 2011).

There are, however, some problems with the model of punctuated equilibrium. In its very nature, *punctuations* must constitute relatively short or unusual periods. This sometimes happens in history – revolutions, coups or war can really be “weeks where decades happen”, where regimes change overnight. When it comes to studying the impacts of economic crises however, this does not seem to

be typical. Instead, the punctuations between periods of equilibria actually seem rather long. It was not until 1945 that the Keynesian paradigm found its institutional form, more than a decades after the great depression. And it took almost a decade from the breakdown of Bretton Woods in 1971 until the neoliberal revolution emerged in force in the early 1980s. Such periods of confusion are not trivial in comparison to e.g. 25 years of stability in the post-war compromise. What follows the breakdown of a situation of economic and ideological hegemony does generally not seem to be a fully-fledged new system of hegemony. Instead, we see a prolonged period of confusion with competing economic strategies. It is exactly these periods of confusion that can be labelled as interregnum. These periods of interregnum cannot be conceptualised as mere transitions, but must be understood as periods in their own right.

A rough account of recent economic history would outline a period of stable hegemony during the post-war Keynesian consensus from 1945-70. This was followed by a decade-long interregnum in the 1970s, before the triumph of neoliberalism in the early 1980s ushered in the so-called period of “the Great Moderation” (Bernanke, 2004) – a period that ended with the financial crisis in 2008-¹.

What seems clear, however, is that the economic history of the 20th century is not one of stable hegemonic systems replacing one another with only short periods of punctuation. There are important gaps, sometimes lasting decades, from the breakdown of one stable hegemony to the creation of another. In these periods, several ideologically conflicting strategies struggle for potential hegemony. In spite of their historical weight these periods of interregnum are distinctly undertheorized in the literature. Might periods of institutional and ideational confusion not only be characterised by an absence of hegemony and consensus, but also have dynamics that need to be appreciated on their own terms? Instead of the tacit assumption that periods of stable hegemony are the “normal” state of capitalist economies, we might have to accept that we inhabit a world where sustained hegemony is not the norm.

3: THEORY OF THE INTERREGNUM

¹Before the post war settlement you could speak of an interwar interregnum following the breakdown of the global liberalism of the gold standard period. Of course the exact historical timing can be debated: did neoliberalism triumph with the 1983 defeat of reformist socialism in Britain and France as argued in this paper, or with the election of Thatcher in 1979, or only with the fall of the Berlin Wall in 1989? Did the interregnum of the interwar years start with the breakdown of the liberal world order in the First World War in 1914, or only after the crisis of market liberalism in the great depression after 1929?

The notion of interregnum is, of course, originally a monarchical term, denoting the gap periods between the death of one regent and the ascension of the next. In a theoretical context, the idea was first developed by Antonio Gramsci. In the *Prison Notebooks* as a part of his analysis of the state and creation of hegemony he speaks of the interregnum as defined by a “crisis of authority”:

“If the ruling class has lost its consensus, i.e. is no longer “leading” but only “dominant”, exercising coercive force alone, this means precisely that the great masses have become detached from their traditional ideologies, and no longer believe what they used to believe previously, etc. The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.” (Gramsci, 2003)276)

Gramsci’s statement has been quoted widely in the literature, but has, in contrast to other Gramscian concepts such as Hegemony or Fordism, rarely been discussed in depth within political economy literature. The aim here is to apply and use the concept for analytical purposes, rather than attempt to excavate the original meaning in Gramsci’s writings².

The best attempt in this direction has probably been made by Stephen Gill, who briefly touches on the concept in his works on disciplinary neoliberalism and organic crisis in the 1990s (Gill, 1995a, 1995b).

The concept of the interregnum in Gramsci’s work is tied to the idea of the organic crisis, which is the notion that the ruling class has lost its ideological and political legitimacy, and is therefore unable to provide the kind of moral and ideological leadership that can secure hegemony. The organic crisis is not only an economic crisis, but a wider political and ideological crisis of legitimation that reveals “incurable structural contradictions”; the breakdown of the consensus of the previous hegemonic period, and the emergence of fissures in the ruling elite (Gramsci 2003, 176).

While the organics crisis is often tied to economic troubles, there is no mechanistic connection between the two. An economic crisis might translate into political crisis, but it is also possible for the system to overcome an economic crisis within the hegemonic strategy. It is quite possible to speak of a relatively significant economic crisis in the early 1990s in the US and Europe, or after the Dot-com bubble in 2000, without any political crisis being triggered . At the same time, the growth and

² This also means that the article will not touch on the rich literature on connected concepts, such as passive revolution and war of position (Morton, 2007; Thomas, 2009)

unemployment rates of the 1970s, which at the times plunged the political ruling elites into deep crisis of legitimation, would be considered magnificently fine in the 2008 world, or even in the 1990s for most countries.

In the integrated capitalist world market, the roots of economics crises often emerge on a global level, whereas the political consequences mainly play out on a national level. Of course here the specific outcome in one country is interacting with others. This can happen through market pressures, via trade, investment flows, financial and bond markets etc., or political pressure through international institutions. The US state has had an especially central role in in the organisation of global capitalism in the post-war period, where the Treasury and the Federal Reserve played a key role as the guarantors of not only American, but global capital (Panitch & Gindin, 2012; Varoufakis, 2011)

The interregnum can in some senses be seen as the political form of an organic crisis.

An interregnum does not imply lack of order, but rather a semi-ordered system. There is not total confusion, out of which emerges a new fully formed system of hegemony, but rather a period of competition between different strategies backed by different alliances, potential or realised, of social forces. The concept of interregnum points to the natural integration of periods of greater confusion in the functioning of capitalist economies. This is not a crisis in its usual sense with the implied understanding of urgency and drastic changes.

Stuart Hall (S. Hall, 1983) lays out the difference between the organic and conjunctural (political) aspects of crisis. Conjunctural aspects of crisis imply urgency. It is a state of exception where a system is either able to overcome the crisis, or is thrust into terminal decline. In contrast, a period of organic crisis has no such urgency or definite timeframe. While the period is characterised by the dysfunction of central institutions that previously managed to keep economic and political contradictions in check, there is no necessary drive towards a solution of the situation, as long as several viable political and economic strategies exist. This process is not necessarily fast, Gramsci describes it as lasting for decades.

A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves (reached maturity), and that, despite this, the political forces which are struggling to conserve and defend the existing structure itself are making every effort to cure them, within certain limits, and to overcome them (Gramsci 2003, 400)

All this leads us to an understanding where the lack of hegemony should not be understood as an anomaly, but rather as a natural state for a capitalist society. There is no natural tendency towards equilibrium or hegemony. On the other side, the lack of hegemony does not necessarily imply that capitalist production relations are in the process collapsing. As such, the prognosis of the impending of post-capitalism that we see in the recent work of Paul Mason (Mason, 2015) or Wolfgang Streeck's diagnosis of the present existence of a post-capitalist interregnum (Streeck, 2016) both seem premature. While the lack of hegemony and elite consensus indeed do open more avenues for change, a substantial change in capitalist property relations is in no way guaranteed or determined.

3A INTERREGNUM AND HEGEMONY

The concept of interregnum is inevitably tied to the idea of hegemony, that is, the ability of the ruling class to rule through the consent of the ruled. While a rich literature on the concept of hegemony exists (Robert W. Cox, 1983; Morton, 2011), this paper will apply a narrow definition of hegemony that simply connotes the functional consensus around one dominant economic strategy within the political elite in a country. In modern liberal democracies, this means that the ability to govern is tied to the ability to mobilise sufficient electoral backing as well as consent from the most important social forces³. (Robert W. Cox, 1981). In this context one can define an economic strategy as a coherent economic paradigm or set of ideas for governing the economy combined with a set of institutions capable of translating these ideas into political practice and enforce them despite opposition.

Here it is necessary to move beyond Gramsci. The problem is that the Gramscian "crisis of authority" is traditionally only conceptualised as a dialectic between the popular masses and the ruling class. But neither actor can be understood as monolithic blocs. There are also internal elite dynamics inside the ruling bloc. In *Political crisis and crisis of the State*, Nicos Poulantzas lays out a difference between different levels of depth of political crises – "fundamental crisis" and "crisis of the state" (Poulantzas, 2008) 209). The first category implies a fundamental crisis for the political legitimacy of the capitalist system as such. The latter implies a crisis for the current power bloc (historical bloc in Gramscian terms) and, as a consequence, an institutional crisis of the state. It is crisis in the latter form, crisis of the state, which constitutes the interregnum. While this might lead to further economic and political crisis and thereby to a fundamental crisis for capitalism, this is not an automatic development. The

³ There might also be dissent during a successful hegemonic system there can be a very high level of discontent, or even opposition to the system. But as long as this protest has no avenue into the halls of power, it remains irrelevant.

concept of interregnum thus deals with the crisis of the ruling elite, rather than of the economic and political system as a whole.

The question of the ruling elite, leads us to the question of ideology. In the Marxist tradition the question of ideology is often framed in terms of persuading the general population of the legitimacy of the system (Eagleton, 2007; Therborn, 1999). This does not exhaust the function of ideology, however. Elites also need ideas and ideology to ensure internal cohesion and for navigating in a world where the future is uncertain necessary to form a historical bloc.. What is important in this context is not just popular common sense, as laid out by Stuart Hall (Hall 1983, 17), but also elite common sense. That is constructed consensus around a set of ideological beliefs, the acceptance of which forms the basis of the coalition building.

The acceptance of the existence of elite common sense, means the denial of the existence internal secret sphere of cynical reasoning, where only profits and interest reign. There is no neoclassical rational actor inside the global capitalist class, only politically mediated actions. The exact character of who is included and excluded from the ruling coalition of the elite is specific to the formation of the concrete historical bloc. In practice this means that the elite is comprised of parties that have access to shape government policy within the current system, and the organised form of the most important capital fractions.

This points to the political character and importance of ruling coalitions. The elite as employed in this article does not only pertain to the classical ruling class of Marxist theory, but also state elite, experts (to the extent they are included as organic intellectuals) and possibly even labour unions. In many countries, the business community deserted the compromise bloc of the post war settlement in the 1970s in order to raise profit rates through a more conflictual course.

Economic ideas are important here as a way of expressing particular economic interests as universal interest of the entire society. In order for such a strategy to be effective, there needs to be a functional consensus of this within a stable, coherent elite, representing a sufficiently broad base of social forces. Such a consensus can either be brought about through a persuasion of all relevant factions to the same economic strategy, or through an exclusion of opposing social forces from access to the elite. The specific configuration of included parties/social forces in a ruling bloc is conditioned on the organisation of the hegemony. This means that in post-war Scandinavia, central unions and the social democrats were central parts of the historical bloc⁴, while both unions and the communists were excluded in post-war France. The successful realisation of hegemony also means the ability of the

⁴ And to a certain extent still do in the neoliberal period (Ryner, 2003; Stahl 2016; Stahl & Henriksen, 2014)

ruling coalition to gradually transform the institutional setup in response to changing national or global circumstances.

Interregnums are periods where such an elite consensus is lacking, and thus no hegemonic strategy emerges. A modern version Gramsci's notion of interregnum can thus usefully be reframed as a situation where an old institutional order still exists, but is not able to deliver the previous stability. The interregnum is not defined by a *lack* of ideological projects, but rather with *several competing* strategies, that all have sufficient backing in society. As such, no single political and economic strategy is able to achieve hegemonic status. The competing economic strategies can be seen as forming the potential of forming what Jessop describes as "hegemonic projects"⁵ (Jessop, 2002)

The period of interregnum thus occurs with the advent of a crisis of the established economic and ideological order, and ends when one of the strategies for the solution of the crisis is declared the victor and a new hegemony is established.

3.B OPERATIONALISING THE CONCEPT OF THE INTERREGNUM

As a way of operationalising the ideas outlined above, I propose the concept of sustained Interregnum in contrast to period of stable hegemony. Sustained Interregnum contains four main elements: 1) Absence of a stable consensus, 2) presence of competing economic strategies 3) institutional continuity, but decreased effectiveness of key institutions, and 4) realignment of social forces. These points are outlined in Table B and they are developed further in the following.

1) Absence of a stable ideological consensus in the elite

The consensus between the main class and interest groups in society is breaking down, and hegemony cannot be maintained. The previous consensus might not have been one of active compromise and consent, as in the post war period, but could also be one of class dominance and lack of plausible alternatives as during the neoliberal hegemony. As such, the breakdown of hegemony might either take the form of the disillusionment of the ideological certainties of the previous system, or, if this ideological consent was never there, in the abandonment of the idea that no alternative exists.

⁵ Jessop describes "hegemonic projects that seek to reconcile the particular and the universal by linking the nature and purposes of the state into a broader – but always selective – political, intellectual and moral vision of the public interest, the good society, the commonwealth or some analogous principle of socialisation. (Jessop 2002, 42)

2) Presence of several competing strategies of growth and development

While an interregnum is characterised by a widespread idea that there is a generalised condition of crisis, there are widely differing ideas of how to get out of the crisis. This means that there are several competing strategies circulating with considerable backing from powerful forces in society. This disagreement is not just along the usual axes of left and right that characterises normal politics, but often involves a deeper realignment of the constituent parts of ruling coalitions and historical blocs.

3) Institutional continuity, but decreasing effectiveness of key institutions

The institutions of the previous hegemonic system are still in place, but they are increasingly unable to deliver the sort of solutions to policy problems that they were previously able to. The presence of several competing strategies means that no single bloc or coalition is able to overcome resistance to its economic strategy, through either marginalisation or integration of opposing forces. The ensuing gridlock and political conflict might mean that there is apparently *more* institutional stability in some areas, because the gradual piecemeal adaptations that take place in a well ordered hegemonic period are impossible.

4) Realignment of social forces

In periods of interregnum, political struggle intensifies and the presences of several competing economic strategies create new political lines of confrontation. These can involve the realignment of social forces into a new ruling coalition and historical blocs, with fractional division within both business and labour. In these periods, political parties become more central. In periods of stable hegemony, political parties play a relatively minor role when it comes to adjusting relations of production in any meaningful way. Of course, there are various ideological positions, but among non-marginalised parties this variation is primarily a rhetorical packaging to the same basic policies. In an interregnum period, however, political parties become the site of struggle, and can be the site of the emergence of new blocs.

In contrast to periods of acute crisis, these conditions do not necessarily mean a situation of instability and fast paced change. Some of the “morbid symptoms” can give a perception of increased stability, as the breakdown of consensus can cause gridlock and prevent the sort of incremental innovation and institutional tinkering that is possible in a normal system. In this context, however, political parties emerge as more central battlegrounds than in hegemonic periods, with struggle over different

strategies often taking place within individual parties or blocs. Periods of interregnum last as long as no competing strategies manage to emerge victorious with a sufficient strong bloc of support to exclude or marginalise alternatives.

4: THE 1970S INTERREGNUM

The following section will try to develop the concept of interregnum through a schematic overview of the historical experiences of 1970s, and the different emerging strategies for dealing with the crisis. The economic turbulence surfaced with the breakdown of the international financial architecture of the Bretton-Woods framework in 1971 and reached crisis levels with the oil shocks in 1973 (B. J. Eichengreen, 2008). The problems had deeper roots, however, in some of the contradictions of the post-war compromise between big businesses and large parts of the labour movements. The resulting system of Keynesian demand management were seen as a compromise position. It did not comprise a retreat to the economic liberalism and laissez-faire of the inter-war period, but also did not involve a wholesale nationalisation, as many in the labour movement wanted (Peter A Hall, 1986). Instead labour and capital shared in the rapidly productivity gains in the forms of rising wages and profits. As growth stuttered, however, the compromise and consensus started to fall apart. These global developments had great implications on a national level. With economic balances already under pressure by balance of payment problems mounting in the 1960s in Britain and Denmark, and the emergence of both rising unemployment and inflation, the consensus on economic strategies shattered, with different strategies emerging the left and right of the post war status quo.

4A COMPETING STRATEGIES

Resilient Keynesianism

The first attempt of dealing with the crisis was to solve the problem of stagflation within the Keynesian framework, especially with the use of income policy. By attempting to control wages, but leaving ownership and investment decisions in private hands, the strategy attempted to retain full employment, while maintaining the balance of forces and the social compromise of the post-war era.

While income policy had been employed in some countries already from the 1960s, it was especially after the oil shocks of the 1970s that these policies became an integral part of economic crisis management. This was seen in the US, Britain and Scandinavia (Asmussen, 2007; Coopey &

Woodward, 1996; Widmaier, 2007). It was not only centre-left governments that turned to this strategy in the early part of the 1970s: Nixon in the US did too, and so did the conservative Heath government in the UK after an initial unsuccessful attempt at liberalisation. The strategy of curbing wages through political action was ultimately deemed unsuccessful, due to the inability of governments to reach deals with union leadership and the inability of union leadership to control membership.

Socialist reformism

The mainstream of the labour movement in the post-war era had either been integrated into the Keynesian consensus of the post-war settlement, as in the US, UK, Germany and Scandinavia; or been successfully marginalised, as in the case in communist France and Italy. The 1970s, however, saw the emergence of a powerful wave of more radical new reformism, emerging out of the increased student and labour radicalism of the late 1960s.

This was either a result of a radicalisation of demands by the main centre-left parties, or a formation of new alliances on the left, allowing for the unity of centre- and far-left. The general idea of the programmes were to use a higher level of socialisation and planning, as a way out of the impasse of falling investments driven by falling perspectives of profit. This meant that the issue of ownership of industry and the role of state planning in the economy was suddenly opened again, after it had been dormant in since the war.

There were several different models of reformism. Some, like the Eurocommunist of Italy or Mitterrand's *Programme Commun* of the 1981 election, proposed the use of a combination of nationalisation to secure a higher level of investments in key industries, while what has been called 'redistributive Keynesianism' would secure full employment (Peter A Hall, 1986). In the UK, the Alternative Economic Strategy was based on securing a higher level of productivity growth in key industries through nationalisation and government direction of investments. Full employment was maintained as goal, a modicum of income policies in the short run, and balance of payment problems solved through import restrictions (Holland, 1975). In contrast, the Scandinavian labour movement proposed a system of Wage Earner Fund. An early form of this strategy was outlined in the Swedish Meidner-plan that was adopted by the Swedish Trade Unions in 1978 (Meidner, 1980), while a comparable plan was adopted by the Trade Union Congress in Denmark in the early 1970s (Toubøl & Giefeldt, 2013). The main part of this strategy was to adopt a centralised policy of wage restraint. However, in contrast to a classical income policy, the money saved should not go directly to the owners of business, but rather be placed in an investment fund controlled by union and employer

representatives, and be used for purchasing stocks in national companies. This would ensure two things: in the short term, the strategy would ensure competitiveness of industry through lower wages and targeted funds for investments. In the longer run it would mean the gradual takeover of the means of production by the working class. In some countries these programmes remained marginal – most notably in the US and Germany, where labour was never sufficiently strong or radical. The weakness in the US proved especially critical because of the central role of the US state in the post-war period.

4B: TRAJECTORIES OF THE INTERREGNUM

In most countries, the immediate policy reaction to the economic downturn of the 1970s was the conventional instruments of Keynesian demand management and attempts of using income policies of varying strictness to keep wage and price increases in check. These strategies, however, became increasingly untenable as coordination and compromise between labour and capital became harder to reach. In Britain, for instance, the strategy effectively died in 1976 when the Labour government essentially surrendered to the IMF demands of monetarist policies (Hickson & Seldon, 2004)⁶. In other countries, these attempts proved more long-lived, but with the US turn to monetarism and increasing pressure from international organisation like the OECD and IMF for financial liberalisation, it proved harder and harder to sustain the national Keynesian policies (Chwieroth, 2009; Gerard Dumenil & Levy, 2004; Marcussen, 2000).

Interestingly, the radical alternatives of socialist reformism in many places proved more enduring than the centrist models. Especially in Scandinavia, Britain and France the 1970s saw a more radical turn of central parts of the centre-left. Furthermore, these national strategies eventually faltered. In hindsight, 1983 proved a decisive year where the last advocates of alternative strategies to neoliberalism were finally defeated. This was marked by a U-turn by Mitterrand, who under pressure from capital flight and the international financial markets abandoned his policy of redistributive socialism in favour of a programme of austerity and liberalisation. This development was cemented by later socialist governments (Clift, 2002). In Britain, the interregnum ended after the 1983 election with Labour's defeat in the polls and subsequent abandonment of any ambition of industrial policy and the Alternative Economic Programme. In Scandinavia, the early 1980s signified the ending of all ambitious programmes of wage earner funds as economic strategies. In Denmark, the project was buried by the newly ascended conservative government, which entered into a currency peg to the D-mark. This

⁶ The failure of incomes policies can be seen to a large degree as a product of the weakness of the leadership of the unions, not able to control their memberships, who rejected wage moderation, and in increasing numbers turned to more radical positions advocated by the AES

implied tying the country to the ordoliberal monetary policy of West Germany and removing the prospects of independent monetary and economic policies (Marcussen & Zølner, 2003). Finally, the wages earner funds in Sweden were implemented in a watered down version, that was later abandoned (Ryner, 2003)

5: A 2008 INTERREGNUM

The end of the 1970s interregnum ushered in a 25 year period of neoliberal dominance. This period was in 2004, towards the very end of this period, dubbed *the Great Moderation* by Ben Bernanke for the presumed situation of permanent macroeconomic stability (Bernanke, 2004). Growth rates never recovered to the levels known in the post-war period, or even in the 1970s, however. But with the defeat or domestication of organised labour in the 1980s and 1990s, and the rise of the pro-business leaders of the third way social democracies, a situation of class dominance, allowed for the hegemony of neoliberal ideas, in a world where no alternatives could muster major support (Mudge, 2011; Jamie Peck, 2010). This situation of unquestioned hegemony ended with the advent of the financial crisis of 2007-8. The question remains if the post-2008 world can qualify as an interregnum proper. While it might be too soon to tell, several trends point in this direction.

First of all, the recovery after the crisis has been anaemic at best, furthering a trend towards stagnating growth rates that has been evident for decades (Gordon, 2016). Another sign of problems for neoliberal globalisation is that the rise of global trade and capital flows are facing a secular slowdown. In a recent statement, WTO reports that “2016 will be the first time in 15 years that the ratio between trade growth and world GDP has fallen below 1:1” (WTO, 2016), pointing to an increasing institutional inability to produce earlier results.

At the same time, there seems to be a growing division among ruling elites, where the neoliberal consensus of the Great Moderation has been superseded by increasing disagreement and worry. At the institutional level negotiations around international trade deals such as the TPP, CETA or TTIP have stranded. They were otherwise seen as a main vehicle of invigorating trade and growth by global elites (De Ville & Siles-Brügge, 2015). This growing uncertainty can also be seen in recent warnings of rising inequality from IMF and OECD. This is especially evident in the 2016 IMF publication “Neoliberalism: Oversold”, which suggests that two main tenets of the neoliberal agenda – unrestricted capital mobility and the purposeful attempt to limit the size of government through privatization and fiscal orthodoxy, have in fact not brought growth, but rather increased inequality and instability (Ostry, Loungani, & Furceri, 2016). At the same time, the rise of anti-establishment politics all over the developed world seems to usher in a new period of political instability. The main question is whether it makes sense to

speak of competing economic strategies in this period of growing political upheaval. I will try to outline three possible strategies below:

1: Resilient neoliberalism

The dominant strategy is still considered as what Vivien Schmidt and others have described as “resilient neoliberalism” - This entails a general continuation of the structural reforms of the last decades and strict austerity in fiscal policy in combination with unorthodox monetary policies carried out by independent central banks (Vivien A. Schmidt & Mark Thatcher, 2013). This development has had especially dramatic effects for centre left parties. What happened in the aftermath of the financial crisis was the collapse of the political space of the Great Moderation. The fiscal strain put on countries by the bailouts and crisis in the real economy meant that the duopoly of left- and right neoliberalism effectively merged into one. In Europe, this was effectuated through the EU fiscal pact where the fiscal space of national governments was essentially narrowed significantly, binding governments to an austerity course. There is still some geographic variation, though. In the Eurozone, a the strategy has been one of continued austerity, with the aim of pressuring down wages and reducing the public sector, in order to revitalise the economy through better competitiveness (Blyth, 2013; Lapavistas, 2012), The US, on the other hand, has chosen a more expansionist strategy that has put a relatively stronger focus on growth and employment rather than public debt reduction (B. Eichengreen, 2014).

2: Left populism

The period since 2011 has also seen the emergence of a new wave of left wing populism. This global wave, starting in the wake of the Arab spring with the Spanish M5 movement and American Occupy Wall Street movement, has managed to mobilise a new generation of young people. This generation was already under pressure from rising debts, inequality and precarisation of the labour market and has been hit by the post-crisis unemployment and austerity (Schäfer & Streeck, 2013). In the last years these movements have transformed towards an institutionalised and party-political form and in a number of countries moved hitherto marginal positions into the political mainstream. This movement has taken two forms. The first is the rise of new parties on the far left such as Syriza and Podemos. The second is the takeover of traditional centrist parties by new leaders, carried into power by a new generation of more radical members. This is the case with Jeremy Corbyn in the British Labour Party and Benoit Hamon in the French Socialists, and parallel developments were seen in Bernie Sanders primary challenge in the US Democratic Party.

While the political demands of this new generation of left populist is not especially radical by comparison to the reformist left of the 1970s, these movements nevertheless present a clear break from the neoliberal consensus of the last decades. In common for all of them is a combination of

traditional left issues such as demand for economic redistribution with an avowed wish to reinvigorate democratic representative structures, in opposition to local elites and the power of the international financial oligarchy (Gerbaudo, 2017). The most ideologically novel party of this new generation is perhaps Podemos from Spain, who, directly inspired by the works of Ernesto Laclau⁷, has developed a political language of left populism beyond traditional left-right (Laclau, 2005). The greatest institutional successes so far has been in Southern Europe, but the exact nature of the economic strategy of the left populist is still relatively indeterminate, especially after the Syriza government's failure to confront the Troika. If the wave of movement-based left populism will prove successful in the long run, the parties need to develop strategies for using their bases in national politics to face and transform the constraints of free global capital mobility and the pressures of financial markets.

3: Economic nationalism

Another alternative to the neoliberal strategy is emerging on the right of the political spectrum. Economic nationalism can be seen as an attempt of national economic revival, with a focus on the domestic production that has suffered under neoliberal globalisation. This strategy has had considerable electoral success in continental Europe in the last decades, with Front National in France as the most successful example. In late 2016, however, the trend of economic nationalism has gained foothold in the core Anglo-Saxon countries, especially with the victory of Donald Trump in the US presidential election with a programme combining nativism and anti-trade, pro-business populism.

The choice to label this economic strategy as “economic nationalism⁸” instead of “right populism” (Müller, 2016), rests on the fact that there is relatively little populism in the economic programs of the coalitions backing the strategy. The strategy contains a strong continuity with neoliberal orthodoxy when it comes to the pro-business structural reforms that have privatized services, cut social protection programmes and cut taxes during the last decades. This continuity can also been seen in the nature of the Trump administration, the richest in history, with strong representatives from both the financial sector and fossil fuel industry (Peterson-Withorn, 2016).

⁷ Not only central figures in Podemos, but also Syriza have been inspired by Laclau's work
<https://www.theguardian.com/commentisfree/2015/feb/09/ernesto-laclau-intellectual-figurehead-syriza-podemos>

⁸ The term of economic nationalism here denotes a new pragmatic stance among a range of actors, rather than a conscious application of the economic ideas of the tradition of economic nationalism and infant industry protection normally associated with Friederich List (Helleiner, 2002)

There is, however, a break with neoliberalism on two crucial issues: The issue of world trade, and the discretionary role of the state. Firstly, there is an opposition to free trade and the right of companies to relocate production, signalled in the cancellation by the Trump administration of the TTP-treaty. The issues of free trade and especially free capital mobility have been a cornerstone of global neoliberalism for four decades. A part of that implies a formal acceptance of the inability of governments to discriminate against foreign capital in favour of domestic capital. Secondly, neoliberalism implies governance through laws and rules rather than government discretion, and the de-politisation of decisions on economic policy. The threats of politically imposed tariffs(Rinke, 2017), of US leaving the basel-IV negotiations(Jones, 2017) and the direct intervention in individual company decisions (Tankersley, 2016), points toward a repolitisation of economic issues that have otherwise been the domain of neoliberally minded experts for decades.

In the UK, we have seen a parallel development after Brexit where the nationalist and nativist wing of the Conservative Party was greatly strengthened. A situation exacerbated by the decision of the May Government to pursue a Hard Brexit, leaving the common market. Exactly what will be the economic model of a post-Brexit Britain remains undetermined, with Theresa May sending very mixed signals. In her October 2016 speech to the Conservative party conference in Birmingham, she indicated a turn towards a more active state, and spoke about “using the power of government to the people”, “frustration with the rich and powerful” and of Tories as “the party of workers” (2016). In January 2017, however, she threatened to turn Britain into a tax haven, with a turn towards more extreme measures of deregulation and slashing of corporate tax rates(Asthana, 2017). Whatever strategy ends up victorious however, the insecurity of the UK stance towards the European market, will further the trend of economic deglobalisation. In France, the Front National seems in a strong position to triumph in the 2017 presidential elections. In parallel with the rising electoral success since the 1990s, the Front National has gradually shifted its economic rhetoric from an original Reagan-inspired, neoliberal stance, to a policy of economic nationalism with much more focus on social security and critique of globalisation (Bastow, 1997). Compared to the UK and the US, the Front National seems more populist on an economic level, but it is still undetermined how they would govern if elected.

It still remains to be seen whether this alliance between domestic business and disaffected working- and middleclass voters can work in the long run. It is hard to see the pro-business, anti-globalisation platform deliver on promises of better conditions for workers, or efforts mitigate the economic insecurities engendered by neoliberal policies. But with the slowdown in trade and controversies around institutions such as EU and the global trade infrastructure in the trade deals, parts of manufacture might find a future alliance with an economically nationalist strategy attractive.

The potential turn of the US towards a more nationalist stance can prove especially decisive. Since 1945 the US state has put itself up as a guarantor of not only domestic capital, but also of international capitalism. This means that the US has allowed competing centres of production and power to emerge – most notably West Germany and Japan. But also that US has acted as a policeman of global capitalism, stepping in to solve crisis on a global and not just domestic level (Panitch & Gindin, 2012). By rescinding this role and explicitly prioritising domestic over foreign capital, an economically nationalist Administration in the US, can have strong disruptive consequences for global capital flows. These can be much stronger than any direct effect of tariffs or other overt policy measures. The balance of forces in neoliberal capitalism is precisely based on the ability of big corporation to manipulate the free flows of capital and labour. By using the constant threat of dislocation of production or replacement of labour by legal or illegal immigrants, the resistance of labour, measured in strike activity, have virtually been broken in most western countries. The reintroduction of constraints on the mobility of capital and labour, can potentially tip the balance of scales in favour of national labour in the rich countries.

6: CONCLUSION

Following the definition laid out in this article, we do seem to have moved into a situation of Interregnum in the period after with the 2008 financial crash that is comparable to the situation of the 1970s. The differences however are also clear. In economic terms, the crisis of capitalism is deeper and the living conditions of people in the western world have been much more adversely affected (Stuckler & Basu, 2013). But at the same time, the alternatives to the strategy of resilient neoliberalism seem to be much weaker than was the case in the 1970s. In crucial aspects the interregnum in the present periods is deeper, because we are not only witnessing a crisis of economic strategies, but also of core institutions of representative democracy. In this way the current interregnum has more parallels to the interwar years, than to the 1970s, where the political institutions were relatively unchanged, although neoliberal governance in the preceding decades have gradually hollowed large parts of national democracies (Bartels, 2009; Crouch, 2004). But now constitutional elements play a central role in all of the emergent economic strategies.

In the strategy of resilient neoliberalism, the ability to please financial markets and international institutions on expense of popular wishes remains a central part of the success of the project. This have meant an increasing narrowing of the space of democratic politics, in order to force through the perceived necessary economic reforms. This was seen in EU by the de-facto administration of disobedient southern European governments at the height of the euro crisis in 2010-12, and by constraining the national policy space by the financial pact(Schäfer & Streeck, 2013). At the present seem to be an inability of classical centre-right and centre-left representatives to win popular majorities for continuation of the neoliberal program, as witnessed recently by the defeat of Hillary Clinton, Matteo Renzi, or the defeat of an alliance of the blair-wing and the soft left of Labour party in the second Labour leadership elections. This points to a situation where a successful continuation of the neoliberal strategy is dependent on some form of restriction of the national democracy, as have been suggested by Ian Bruff in his .

The constitution also plays a role in the insurgent strategies. In left populism the constitutional element of opposing oligarchic and elite institutions encroachment of national democracy. This is seen in the importance of the opposition to the Troika for Syriza, for *The Billionaire Class* for Bernie Sanders or *La Casta* for Podemos. The issue of direct democracy, also plays a large role for Podemos, 5-star and pirate parties(Flesher Fominaya, 2017). In Economic nationalism it is the issue of the strong man, and reclaiming of national sovereignty against culturally foreign influences. The aim here is not deepening democracy, but restoring a perception of lost sovereignty this was seen in the slogans such as “take back control” or Make America Great Again. Despite populist rhetoric it does not seem that the idea of economic nationalism will mean a diminishing role of the current oligarchy. The Trump administration seems to be filled with associates of oligarchic affiliates, with ties to entities such as Goldman Sachs or the Koch Brothers political empire, to an even greater extent than earlier administrations. The difference between the two forms of insurgent strategies lies in the form of sovereignty they want to institute. For the economic nationalist strategy it is national sovereignty as opposed to foreign influence and competing nations. For Left Populism it is popular sovereignty, as opposed to the elite, a notion that is not tied to the idea of the state or the nation, but encompasses all inhabitants.

To conclude, the current interregnum seem to mirror the situation of the 1970s, in that the previous ideational and institutional hegemony have broken down. This means that central institutions are longer able to deliver the legitimacy and stability they previously could , and have lost the ability to ensure both popular consent and elite consensus. This situation however, does not mean that the old regime is replaced by a new. Instead we have several competing strategies vying for hegemony.

Despite the analogies to the 1970s the crisis of both the capitalist economy and state seems deeper in the post-2008 world. Growth rates are lower, economic woes greater and the crisis of political legitimacy is greater. What aggravates the crisis, is the explosion to the surface of the brewing tension between capitalism and democracy.

As Wolfgang Streeck have outlined in a series of recent works, the compromise between capitalism and democracy that emerged out of WW2 and that have resulted in the welfare state and relative egalitarian capitalism of the post-war decades, have been slowly unravelling since the 1970s, because of debt, tax evasion and rising inequality(Streeck, 2014, 2016). In the aftermath of the financial crash and the Euro-crisis this tension have exploded into open conflict. This means that the political conjuncture is more open and chaotic now than it have been in decades. Not only when it comes to the issues of economic production and distribution, but also of the very foundation of democratic representation.

In contrast to Streeck however, this article have argued that this interregnum of economic and political instability and dissensus should not necessarily be taken to signal the end of capitalism. Indeed, looking at the history of 20th century capitalism through the lens of the interregnum, it is revealed that dissensus and instability is as natural as state for the capitalist world economy as stable hegemony. If we should draw one lesson from history, it is the astonishing ability of capitalism to overcome crisis, transform itself and emerge in new institutional forms.

Table A: Stylised timeline of Hegemonies and Interregnums

	1945-71	1971-83	1983-2008	2008?
period	Post war settlement	1970's interregnum	Great Moderation	21st century interregnum
Strategies	Keynesian hegemony	Resilient Keynesianism Neoliberalism Socialist Reformism	Neoliberal hegemony	Economic Nationalism Left populism Resilient Neoliberalism

Table B: Hegemony vs. Interregnum

	Hegemony	Interregnum
Social forces	Stable blocs	Realignment
Ideas	Consensus	Disagreement
Institutions	Stable, gradual innovation	Unstable, drift or gridlock
Economic strategies	One dominant	Several competing
Political struggle	Left vs right within consensus, extensive	Realignment within blocks, intensive
Political parties	Unimportant (consensus)	Important, sites of ideological struggle

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